

Oak Valley Bancorp
Form DEF 14A
April 30, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Oak Valley Bancorp
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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(1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

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- (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:
-

125 North Third Avenue

Oakdale, California 95361

(209) 848-2265

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON JUNE 10, 2010

The Annual Meeting of Shareholders of Oak Valley Bancorp, a California corporation (Oak Valley or the Company), will be held at **Oak Valley Bancorp Headquarters at 338 E F Street, Oakdale, California 95361 on Thursday, June 10, 2010 4:00 p.m. Pacific Daylight Time**, for the following purposes:

1. The election of the following nine (9) director nominees as described within the Proxy Statement:

James L. Gilbert

Thomas A. Haidlen

Michael Q. Jones

Roger M. Schrimp

Danny L. Titus

Richard J. Vaughan

Donald L. Barton

Ronald C. Martin

Christopher M. Courtney

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2. To ratify the appointment of Moss Adams, LLP as the Company's independent registered public accounting firm;
3. Approval of a non-binding advisory vote on the compensation of the Company's senior executive officers;
4. To transact such other business as may properly come before the Annual Meeting of Shareholders, and any adjournment or postponement.

The Board of Directors has fixed the close of business day on April 12, 2010, as the record date for the determination of shareholders entitled to notice of and to vote at the Annual Meeting.

IMPORTANT NOTICE REGARDING THE INTERNET AVAILABILITY OF PROXY MATERIAL FOR THE SHAREHOLDER MEETING TO BE HELD ON JUNE 10, 2010

This communication presents only an overview of the more complete proxy materials include the Company's 2009 Annual Report, Form 10-K (the Annual Report), Notice of Annual Meeting, and Proxy Statement, and Proxy Card (Proxy Material) which are available for the public at www.envisionreports.com/OVLY. We encourage you to access and review all of the important information contained in the Proxy Material before voting.

PLEASE NOTE YOU CANNOT VOTE BY RETURNING THIS NOTICE. To vote your shares you must vote online, by telephone, or request a paper copy of the Proxy Material to receive a physical proxy card. There is no charge to you for requesting a paper copy of the Proxy Material. Please make your request for a copy using one of the following methods as instructed below on or before May 31, 2010 to facilitate timely delivery.

Methods:	If you are a shareholder of record:	If you are beneficial owner of shares held in street name:
First Class/Registered/Certified Mail:	Computershare Investor Services 250 Royall Street Canton, MA 02021	Not available.
By Telephone:	Toll Free Telephone Number: 1-866-641-4276	Toll Free Telephone Number: 1-800-579-1639
By Internet:	From the Internet: Go to www.envisionreports.com/OVLY , click Request Materials	Go to www.proxyvote.com by following the instructions on the screen.
By Email	Write to investorvote@computershare.com with subject line: Proxy Materials Oak Valley Bancorp.	Send a blank email to sendmaterial@proxyvote.com with your 12-Digital Control Number in the subject line.

Your Board of Director recommends that you vote **FOR** the election of each of the Director nominees listed in the Proxy Statement under **PROPOSAL 1 ELECTION OF DIRECTORS**, **FOR** the ratification of Moss Adams, LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2010 under **PROPOSAL 2 RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**, and **FOR** approval of a non-bidding advisory on the compensation of the Company's Named Executive Officers under **PROPOSAL 3 NON-BINDING ADVISORY VOTE ON EXECUTIVE COMPENSATION**.

By Order of the Board of Directors,

Richard A. McCarty
Secretary

Date: April 30, 2010

PROXY STATEMENT

OF

OAK VALLEY BANCORP

ANNUAL MEETING OF SHAREHOLDERS OF

OAK VALLEY BANCORP

TO BE HELD ON JUNE 10, 2010

GENERAL INFORMATION FOR SHAREHOLDERS

The following information is furnished in connection with the solicitation of the accompanying proxy by and on behalf of the Board of Directors of Oak Valley Bancorp (the Company) for use at the Annual Meeting of Shareholders to be held at Oak Valley Bancorp Headquarters at 338 E F Street, Oakdale, California 95361, on Thursday, June 10, 2010, at 4:00 p.m.

Shareholders Entitled to Vote

Only shareholders of record at the close of business on April 12, 2010, (the Record Date) will be entitled to notice of, and to vote, at the Annual Meeting. On the Record Date, the Company had outstanding 7,681,877 shares of its common stock, of which 7,681,877 will be entitled to vote at the Annual Meeting and any adjournments thereof. This Proxy Statement (Proxy) will be first mailed to shareholders on or about April 30, 2010.

Vote By Proxy

As many of the Company's shareholders are not expected to attend the Annual Meeting in person, the Company solicits proxies so that each shareholder is given an opportunity to vote. Shares represented by a duly executed proxy in the accompanying form, received by the Board of Directors prior to the Annual Meeting, will be voted at the Annual Meeting. A shareholder executing and delivering the proxy may revoke the proxy at any time prior to exercise of the authority granted by the proxy by (i) filing with the secretary of the Company an instrument revoking it or a duly executed proxy bearing a later date; or (ii) attending the meeting and voting in person. A proxy is also revoked when written notice of the death or incapacity of the maker of the proxy is received by the Company before the vote is counted. If a shareholder specifies a choice with respect to any matter on the accompanying form of proxy, the shares will be voted accordingly. If no specification is made, the shares represented by the proxy will be voted in favor of the specified proposal.

Methods of Voting

Shareholders may vote on matters that are properly presented at the 2010 Annual Meeting in one of the following four ways:

- By submitting your vote electronically via the Internet at **www.envisionreports.com/OVLY**;
- By submitting your vote telephonically;
- By completing the proxy card and returning it in a pre-paid envelope provided by the Company if you request a paper copy up the Proxy Material one; or
- By attending the 2010 Annual Meeting and casting your vote in person.

For the 2010 Annual Meeting, the Company is offering registered shareholders the opportunity to vote their shares electronically through the Internet or by telephone. The telephone and Internet voting instructions

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are provided in the Proxy Card as well as in the Proxy Notice dated April 30, 2010. The telephone and Internet voting procedures are designed to authenticate shareholders' identities, to allow shareholders to give their voting instructions, and to confirm that shareholders' instructions have been recorded properly. Shareholders voting through the Internet should understand that they may bear certain costs associated with Internet access, such as usage charges from their Internet service providers.

If a shareholder chooses to submit the vote by mail instead, he or she should request a paper copy of the Proxy Material, and Company will send you the proxy card along with the rest of the Proxy Material as well as a pre-paid envelope, and you need to cast your vote by signing and returning the Proxy Card in the pre-paid envelope to the Company. There is no charge to you for requesting a copy. Please make your request for a copy as instructed below on or before May 31, 2010 to facilitate timely delivery.

Methods:	If you are a shareholder of record:	If you are beneficial owner of shares held in street name:
First Class/Registered/Certified Mail:	Computershare Investor Services 250 Royall Street Canton, MA 02021	Not available.
By Telephone:	Toll Free Telephone Number: 1-866-641-4276	Toll Free Telephone Number: 1-800-579-1639
By Internet:	From the Internet: Go to www.envisionreports.com/OVLY , click Request Materials	Go to www.proxyvote.com by following the instructions on the screen.
By Email	Write to investorvote@computershare.com with subject line: Proxy Materials Oak Valley Bancorp.	Send a blank email to sendmaterial@proxyvote.com with your 12-Digital Control Number in the subject line.

Method of Counting Votes

Holders of common stock of the Company are entitled to one vote for each share held. No holder of any class of stock of the corporation shall be entitled to cumulate votes in connection with any election of directors of the corporation.

The proxy holders, Ronald Martin and Roger Schrimp, both of whom are directors of the Company, will vote all shares of Common Stock represented by the proxies unless authority to vote such shares is withheld or the proxy is revoked. However, the proxy holders cannot vote the shares of the shareholder unless the shareholder signs and returns a proxy card. Proxy cards also confer upon the proxy holders discretionary authority to vote the shares represented thereby on any matter that was not known at the time this Proxy Statement was mailed, which may properly be presented for action at the Annual Meeting, including a motion to adjourn, and with respect to procedural matters pertaining to the conduct of the Annual Meeting. The total expense of soliciting the proxies in the accompanying form will be borne by the Company. While proxies are normally solicited by mail, proxies may also be solicited directly by officers, directors and employees of the Company or its subsidiary, Oak Valley Community Bank (the Bank). Such officers, directors and employees will not be compensated for this service beyond normal compensation to them.

Abstentions and broker non-votes are each included in the determination of the number of shares present and voting for the purpose of determining whether a quorum is present, and each is tabulated separately. Under the rules that govern brokers who are voting with respect to shares held in street name, brokers have the discretion to vote such shares on routine, but not on non-routine matters. A broker non-vote occurs

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when a broker does not vote on a particular proposal because the broker does not receive instructions from the

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beneficial owner and does not have discretionary authority. Each of (i) the non-binding advisory vote on executive compensation, and (ii) the ratification of the selection of the Company's independent registered public accounting firm, is a routine item. The election of directors is a proposal on which a broker may vote only if the beneficial owner has provided voting instructions.

Unless contrary instructions are indicated on the Proxy, all shares represented by valid Proxies received pursuant to this solicitation (and not revoked before they are voted) will be voted as follows:

FOR the election of all nominees for director named herein;

FOR ratification of the selection of Moss Adams, LLP as the Company's independent registered public accounting firm; and

FOR the adoption of a non-binding advisory vote approving executive compensation.

In the event a shareholder specifies a different choice on the Proxy, his or her shares will be voted in accordance with the specification so made. In addition, such shares will, at the proxy holders' discretion, be voted on such other matters, if any, which may come before the Meeting (including any proposal to adjourn the Meeting). Boxes and a designated blank space are provided on the proxy card for shareholders to mark if they wish either to abstain on one or more of the proposals or to withhold authority to vote for one or more nominees for director.

A copy of the Company's Annual Report to Shareholders for the fiscal year ended December 31, 2009 is available at www.envisionreports.com/OVLY, and is incorporated herein by reference. You may request a hard copy of the Annual Report and other Proxy Materials by contacting:

Methods:	If you are a shareholder of record:	If you are beneficial owner of shares held in street name:
First Class/Registered/Certified Mail:	Computershare Investor Services 250 Royall Street Canton, MA 02021	Not available.
By Telephone:	Toll Free Telephone Number: 1-866-641-4276	Toll Free Telephone Number: 1-800-579-1639
By Internet:	From the Internet: Go to www.envisionreports.com/OVLY , click Request Materials	Go to www.proxyvote.com by following the instructions on the screen.
By Email	Write to investorvote@computershare.com with subject line: Proxy Materials Oak Valley Bancorp.	Send a blank email to sendmaterial@proxyvote.com with your 12-Digital Control Number in the subject line.

Vote Required

Election of Directors

The nine (9) nominees for director are elected by a plurality of votes cast. This means that the 9 nominees who receive the most votes will be elected. So, if you do not vote for a particular nominee, or you indicate **WITHHOLD AUTHORITY** to vote for a particular nominee on your proxy card, your vote will not count either for or against the nominee. Abstentions will not have any effect on the outcome of the vote. Broker non-votes will not count as a vote on the proposal and will not affect the outcome of the vote.

Ratification of Selection of Independent Accountants

The affirmative vote of a majority of the shares entitled to vote present in person or by proxy at the Annual Meeting voting on this proposal is required to ratify the selection of Moss Adams LLP as our independent registered public accounting firm for 2010.

Approval of an Advisory Proposal on the Company's Executive Compensation

The affirmative vote of a majority of the shares entitled to vote present in person or by proxy at the Annual Meeting voting on this proposal is required to approve this proposal. A properly executed proxy marked "abstain" and broker non-votes will have the same effect as a negative vote.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNER AND MANAGEMENT

Ownership of Securities

The following table sets forth certain information known to us with respect to the beneficial ownership of our common stock as of December 31, 2009, by:

- Each person known by us to be a beneficial owner of five percent (5%) or more of our common stock;
- Each current director, each of whom is a nominee for election as a director; and
- All current directors and executive officers as a group.

Our common stock is the only class of voting securities outstanding. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and includes voting and investment power with respect to the securities. Except as indicated in the notes following the table, and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them. The percentage of beneficial ownership is based on 7,681,877 shares of common stock outstanding as of March 30, 2010. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of our common stock subject to options held by that person that are currently exercisable or will become exercisable within 60 days following March 30, 2010 are deemed outstanding. However, these shares are not deemed outstanding for the purpose of computing the percentage ownership of any other person or entity.

Beneficial Owner	Common Stock Beneficially Owned (1) on March 30, 2010		
	Shares Beneficially Owned	Vested Option Shares (2)	Percentage of Shares Beneficially Owned (3)
<i>Five Percent Shareholder: (4)</i>			
Patrick W. Hopper	711,707	N/A	9.26%
<i>Executive Officers and Directors:(5)</i>			
James L. Gilbert	143,656	2,500	1.90%
Thomas A. Haidlen	191,380	3,375	2.54%
Michael Q. Jones	11,520	4,500	0.21%
Roger M. Schrimp	200,965		2.62%

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Danny L. Titus	199,418		2.60%
Richard J. Vaughan	88,000	16,875	1.37%
Donald L. Barton	10,000	3,000	0.17%
Ronald C. Martin (6)	171,700	33,750	2.67%
Christopher M. Courtney	68,098	54,000	1.59%
Richard A. McCarty	1,502	55,028	0.74%
All officers and directors as a group	1,086,239	173,028	16.39%

(1) Except as otherwise noted, may include shares held by such person's spouse (except where legally separated) and minor children, and by any other relative of such person who has the same home; shares held in street name for the benefit of such person; shares held by a family or living trust as to which such person is a trustee and primary beneficiary with sole voting and investment power (or shared power with a spouse); or shares held in an Individual Retirement Account or pension plan as to which such person is the sole beneficiary.

(2) Consists of shares which the applicable individual or group has the right to acquire upon the exercise of stock options which are vested or will vest within 60 days of March 30, 2010 pursuant to the Company's Stock Plans.

(3) This percentage is based on the total number of shares of our common stock outstanding, plus the number of option shares which the applicable individual or group has the right to acquire upon the exercise of stock options which are vested or will vest within 60 days of March 30, 2010 pursuant to our Stock Plans.

(4) The address for Patrick Hopper is 2624 Pebblegold Avenue, Henderson, Nevada 89074.

(5) The address for all officers and directors is c/o Oak Valley Community Bank, 125 North Third Avenue, Oakdale, California 95361.

(6) Excludes third party participant shares held by Mr. Martin in his capacity as trustee of the Company's 401(k) plan.

CORPORATE GOVERNANCE AND BOARD MATTERS

We are committed to having sound corporate governance principles, good business practices, and transparency in financial reporting. Having such principles is essential to running our business efficiently and to maintaining our integrity in the marketplace. Our Board of Directors continually reviews its governance policies and practices, as well as the requirements of the Sarbanes-Oxley Act of 2002 and the listing standards of The NASDAQ Stock Market, to help ensure that such policies and practices are compliant and up to date.

Board of Directors

Board Independence

A majority of the Board of Directors consists of independent directors, as defined by the applicable rules and regulations of The NASDAQ Stock Market, as follows:

Donald L. Barton

James L. Gilbert

Thomas A. Haidlen

Michael Q. Jones

Roger M. Schrimp

Richard J. Vaughan

Danny L. Titus

The non-independent directors of the Board are Ronald C. Martin and Christopher M. Courtney, who are our Chief Executive Officer and President, respectively.

Board and Committee Meeting Attendance

During the fiscal year ended December 31, 2009, our Board of Directors held a total of twelve meetings. Each incumbent director who was a director during 2009 attended at least 75% of the aggregate of (a) the total number of such meetings; and (b) the total number of meetings held by all committees of the Board on which such director served during 2009.

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Director Attendance at Annual Meetings of Shareholders

The Board believes it is important for all directors to attend the Annual Meeting of Shareholders in order to show their support for the Company and to provide an opportunity for shareholders to communicate any concerns to them. The Company's policy is to encourage, but not require, attendance by each director at the Company's Annual Meeting of Shareholders. All of our current directors attended our Annual Meeting of Shareholders in 2009.

Communications with the Board

The Board of Directors has established a process for shareholders to communicate with the Board of Directors or with individual directors. Shareholders who wish to communicate with the Board of Directors or with individual directors should direct written correspondence to our Corporate Secretary at our principal executive offices located at 125 North Third Avenue, Oakdale, California 95361. Any such communication must contain (i) a representation that the shareholder is a holder of record of stock of the Company; (ii) the name and address, as they appear on our books, of the shareholder sending such communication and (iii) the class and number of shares that are beneficially owned by such shareholder. Our Corporate Secretary may (but

is not required to) review all correspondence addressed to the Board, or any individual member of the Board, for any inappropriate correspondence more suitably directed to management. Communications may be deemed inappropriate for this purpose if, for example, it is reasonably apparent from the face of the correspondence that it relates principally to a customer dispute. Our policies regarding the handling of security holder communications were approved by a majority of our independent directors.

Nomination of Directors

The Board as a whole identifies and evaluates nominees for election as directors. The Board utilizes a variety of methods for identifying and evaluating nominees for director. Although there are no specific minimum qualifications, the Board considers some or all of the following criteria in considering candidates to serve as directors:

- commitment to ethical conduct and personal and professional integrity as evidenced through the person's business associations, diversity, service as a director or executive officer or other commitment to ethical conduct and personal and professional integrity as evidenced in organizations and/or education;

- objective perspective and mature judgment developed through business experiences and/or educational endeavors;

- the candidate's ability to work with other members of the Board of Directors and management to further our goals and increase shareholder value;

- the ability and commitment to devote sufficient time to carry out the duties and responsibilities as a director;

- demonstrated experience at policy-making levels in various organizations and in the areas that are relevant to our activities;

- the skills and experience of the potential nominee in relation to the capabilities already present on the Board of Directors;

- local community involvement; and

- such other attributes, including independence, relevant in constituting a board that also satisfies the requirements imposed by the SEC and The NASDAQ Stock Market.

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In addition to the factors discussed above, the Board regularly assesses the appropriate size of the Board, and whether any vacancies on the Board are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the Board considers various potential candidates for director. Candidates may come to the attention of the Board through current Board members, shareholders or other persons. As described above, the Board considers properly submitted shareholder nominations for candidates for the Board. Following verification of the shareholder status of persons proposing candidates, recommendations are aggregated and considered by the Board at a regularly scheduled meeting, which is generally the first or second meeting prior to the issuance of the proxy statement for our annual meeting. If any materials are provided by a shareholder with the nomination of a director candidate, such materials are forwarded to the Board.

The Board does not have a separate policy for consideration of any director candidates recommended by shareholders. Instead, the Board considers any candidate who meets the requirements for nomination by a shareholder in the same manner as any other director candidate, based on the criteria discussed above. The Board believes that requiring that shareholder recommendations for director candidates comply with specific requirements would create an unnecessary distinction and may limit the potential pool of director candidates in our community.

Term of Office

Directors serve until their successors are elected for the initial terms as indicated in the table below in accordance with section 3.3 of our Bylaws, as amended. The Bylaws of the Company, as amended, authorize the Company to have a classified Board of Directors so long as the number of directors of the Company has been fixed at nine (9) or more directors. Pursuant to that provision, each year only three (3) directors then in office would be subject to nomination and election. Accordingly, each nominee director, if elected, will hold office as follows until his successor is duly elected and qualified for the following terms:

Nominee	Expiration of Term
Roger M. Schrimp	2013
James L. Gilbert	2013
Danny L. Titus	2013
Ronald C. Martin	2012
Thomas A. Haidlen	2012
Donald L. Barton	2012
Richard J. Vaughan	2011
Christopher M. Courtney	2011
Michael Q. Jones	2011

The Board does not have term limits, instead preferring to rely upon the evaluation procedures described herein as the primary methods of ensuring that each director continues to act in a manner consistent with the best interests of the shareholders and the Company.

Number and Composition of Board Committees

The Board may delegate portions of its responsibilities to committees of its members. These standing committees of the Board meet at regular intervals to attend to their particular areas of responsibility. Our Board has five standing committees: Audit Committee, Loan Committee, Investment Committee, Compensation Committee and CRA Committee. An independent director, as defined by the applicable rules and regulations of The NASDAQ Stock Market, chairs the Board and its other standing committees. The chair determines the agenda, the frequency and the length of the meetings and receives input from Board members.

Committee of the Board

As of the date of this Proxy, our Board had nine (9) directors and the following five committees:

- Audit,

- Loan,

- Investment,

- Compensation, and

- CRA Committee.

Executive Sessions

Independent directors meet in executive sessions throughout the year including meeting annually to consider and act upon the recommendation of the Compensation Committee regarding the compensation and performance of the chief executive officer.

Evaluation of Board Performance

A Board assessment and director self-evaluations are conducted annually in accordance with an established evaluation process and includes performance of committees. The Chairman of the Board and the Vice-Chairman, who are rotating independent directors, oversee this process and review the assessment and self-evaluation with the full Board.

Management Performance and Compensation

The Compensation Committee reviews and approves the Chief Executive Officer's evaluation of the top management team on an annual basis. The Board (largely through the Compensation Committee) evaluates the compensation plans for senior management and other employees to ensure they are appropriate, competitive and properly reflect objectives and performance.

Director Stock Ownership Guidelines

The Board encourages each Board member to hold shares of the Company's common stock. Although the Board has not fixed any particular target holding, any director is encouraged to hold Company's common stock for his or her own investment.

Code of Ethics

The Board expects all directors, as well as officers and employees, to display the highest standard of ethics, consistent with the principles that have guided the Company over the years.

We have adopted a Code of Ethics to help ensure that the financial affairs of the Company are conducted honestly, ethically, accurately, objectively, consistent with generally accepted accounting principles and in compliance with all applicable governmental law, rules and regulations. We will disclose any amendment to, or a waiver from a provision of our Code of Ethics on our website. The Code of Ethics applies to our directors, executive officers, employees and consultants. Our Chief Executive Officer and all senior financial officers, including the Chief Financial Officer, are bound by such Code of Ethics which is posted on our Internet website at www.ovcb.com.

Reporting of Complaints/Concerns Regarding Accounting or Auditing Matters

The Company's Board of Directors has adopted procedures for receiving and responding to complaints or concerns regarding accounting and auditing matters. These procedures were designed to provide a channel of communication for employees and others who have complaints or concerns regarding accounting or auditing matters involving the Company.

Employee concerns may be communicated in a confidential or anonymous manner to the Audit Committee of the Board. The Audit Committee Chairman will make a determination on the level of inquiry, investigation or disposal of the complaint. All complaints are discussed with the Company's senior management and monitored by the Audit Committee for handling, investigation and final disposition. The Chairman of the Audit Committee will report the status and disposition of all complaints to the Board of Directors.

INFORMATION ABOUT DIRECTORS AND EXECUTIVE OFFICERS

Executive Officers

Set forth below is certain information with respect to the executive officers of the Company:

Name	Age	Position	Officer Since*
Ronald C. Martin	63	Chief Executive Officer	2008
Christopher M. Courtney	47	President	2008
Richard A. McCarty	38	Executive Vice President, Chief Financial Officer, Chief Administrative Officer and Secretary	2008
David S. Harvey	56	Executive Vice President, Commercial Banking Group	2008
Michael J. Rodrigues	40	Executive Vice President and Chief Credit Officer	2008

* The Company was formed in 2008 as the bank holding company of Oak Valley Community Bank.

Biographical information for Messrs. Martin and Courtney is set forth under Proposal 1 Election of Directors. Biographical information for our other senior executive officers (SEOs) is set forth below.

Richard A. McCarty first joined Oak Valley Community Bank in 1996, and thereafter became our Executive Vice President and Chief Financial Officer in 2000, our Chief Administrative Officer in 2008 and has been recently appointed Secretary in February 2010. Mr. McCarty has a B.S. in Finance from California State University, Stanislaus.

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Michael J. Rodrigues first joined Oak Valley Community Bank in 1997. He has been the Bank's Chief Credit Officer since 2006. Mr. Rodrigues has 17 years of diverse banking experience, joining Oak Valley Community Bank in 1997, as a commercial lender. He has a degree in Business Finance from California Polytechnic State University, San Luis Obispo. He is also a 2006 graduate of the Pacific Coast Banking School at the University of Washington.

David S. Harvey has 29 years of commercial lending experience, joining Oak Valley Community Bank in 2002. Mr. Harvey received his B.S. Degree in Corporate Finance from CSU Northridge and later went on to get his Masters Degree in Banking and Finance from Golden Gate University in 1984.

The Board of Directors

The Board of Directors oversees our business and monitors the performance of management. In accordance with corporate governance principles, the Board does not involve itself in day-to-day operations. The directors keep themselves informed through, among other things, discussions with the Chief Executive Officer, other key executives and our principal outside advisors (legal counsel, outside auditors, and other consultants), by reading reports and other materials that we send them and by participating in Board and committee meetings.

The Company's Bylaws currently permit the number of Board members to range from seven to thirteen leaving the Board authority to fix the exact number of directors within that range. The Board has currently fixed the number of directors at nine.

Board Leadership Structure

The Board of Directors is committed to maintaining an independent Board, and for many years a majority of the Board has been comprised of independent directors. It has further been the practice of the Company to separate the roles of Chief Executive Officer and Chairman of the Board in recognition of the differences between the two roles. The Chief Executive Officer is responsible for setting the strategic direction for the Company and the day-to-day leadership and performance of the Company. The Chairman of the Board facilitates communication among the independent directors and between the independent directors and the Chief Executive Officer, presides over meetings of the full Board (including executive sessions) and runs the agenda of such meetings. The Board further believes that the separation of the duties of the Chief Executive Officer and the Chairman of the Board eliminates any inherent conflict of interest that may arise when the roles are combined, and that an independent director can best provide the necessary leadership and objectivity required as Chairman of the Board.

Board Authority for Risk Oversight

The Board has ultimate authority and responsibility for overseeing risk management of the Company. The Board monitors, reviews and reacts to material enterprise risks identified by management. The Board receives specific reports from executive management on financial, credit, liquidity, interest rate, capital, operational, legal compliance and reputation risks and the degree of exposure to those risks. The Board helps ensure that management is properly focused on risk by, among other things, reviewing and discussing the performance of senior management and business line leaders.

Board committees have responsibility for risk oversight in specific areas. The Audit Committee oversees financial, accounting and internal control risk management policies. The Audit Committee also approves the independent auditor and its annual audit plan. The Audit Committee reports periodically to the Board on the effectiveness of risk management processes in place and the overall risk assessment of the Company's activities. The Compensation Committee assesses and monitors risks in the Company's compensation program. The Loan Committee reviews risks in our lending activities. The Investment Committee periodically assesses the risks of our investment portfolio.

The Committees of the Board

The Board delegates portions of its responsibilities to committees of its members. These standing committees of the Board meet at regular intervals to attend to their particular areas of responsibility. The Board has five standing committees: the Audit Committee, the Compensation Committee, the Loan Committee, the Investment Committee, and the CRA Committee.

Audit Committee

We have a separately-designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the 1934 Securities Exchange Act, as amended, (the Exchange Act). The Audit Committee assists the Board in fulfilling its responsibilities for general oversight of the integrity of our financial statements, our compliance with legal and regulatory requirements, the independent auditors' qualifications and independence, the performance of our internal audit function and independent auditors, and risk assessment and risk management. In addition, the Audit Committee reviews and discusses the annual audited financial statements with management and the independent auditors prior to publishing the annual report and filing the Annual Report on Form 10-K with the SEC; reviews and discusses with management and the independent auditors any significant changes, significant deficiencies and material weaknesses regarding internal controls over financial reporting required by the Sarbanes-Oxley Act of 2002, oversees the internal audit function and the audits directed under its auspices, and establishes policies to ensure all non-audit services provided by the independent auditors are approved prior to work being performed. The Audit Committee also prepares the Audit Committee report for inclusion in the annual proxy statement; annually reviews the Audit Committee charter and the committee's performance; appoints, evaluates and determines the compensation of our independent auditors; reviews and approves the scope of the annual audit, the audit fee and the financial statements; reviews our disclosure controls and procedures, internal controls, internal audit function, and corporate policies with respect to financial information and earnings guidance; oversees investigations into complaints concerning financial matters; and reviews other risks that may have a significant impact on our financial statements. The Audit Committee works closely with management as well as our independent auditors. The Audit Committee has the authority to obtain advice and assistance from, and receive appropriate funding from us for, outside legal, accounting or other advisors as the Audit Committee deems necessary to carry out its duties.

The Board of Directors has adopted a written charter for the Audit Committee. The members of the Audit Committee are Messrs. Schrimp (Chairman), Haidlen, Barton, Titus and Vaughan and the Audit Committee held seven meetings during fiscal 2009.

The Board of Directors has determined that Mr. Schrimp has: (i) an understanding of generally accepted accounting principles and financial statements; (ii) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves; (iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by our financial statements, or experience actively supervising one or more persons engaged in such activities; (iv) an understanding of internal control over financial reporting; and (v) an understanding of audit committee functions.

Therefore, the Board has determined that Mr. Schrimp meets the definition of "audit committee financial expert" under the applicable rules and regulations of the SEC and is "financially sophisticated" as defined by the applicable rules and regulations of The NASDAQ Stock Market. The designation of a person as an audit committee financial expert does not result in the person being deemed an expert for any purpose, including under Section 11 of the Securities Act of 1933. The designation does not impose on the person any duties, obligations or liability greater than those imposed on any other audit committee member or any other director and does not affect the duties, obligations or liability of any other member of the Audit Committee or Board of Directors.

The Board has determined that all members of the Audit Committee are "independent" as that term is defined in Rules 4200(a)(15) of The NASDAQ Stock Market Rule and Rule 10A-3(b)(1) under the Exchange Act.

The Audit Committee Report for 2009 appears on page 44 of this proxy statement.

Compensation Committee

The Compensation Committee establishes our compensation policy, determines the compensation paid to our executive officers and non-employee directors, recommends executive incentive compensation plans and equity-based plans and approves other compensation plans and retirement plans, and performs the various reviews required by the U.S. Treasury Capital Purchase Program and the regulations enacted pursuant to the American Recovery and Reinvestment Act of 2009. The Compensation Committee approves corporate goals related to the compensation of the executive officers, evaluates the executive officers' performance and compensates the executive officers based on this evaluation. Messrs. Schrimp, Barton, Gilbert, Haidlen, Jones, Titus and Vaughan are members of the Compensation Committee, and Mr. Schrimp is the Chairman of that committee. The Compensation Committee held four meetings during fiscal 2009. The Board has determined that all members of the Compensation Committee are independent as that term is defined in Rule 4200(a)(15) of The NASDAQ Stock Market Rules.

Loan Committee

The Loan Committee monitors the activities of our lending function utilizing information presented to it by management at regular meetings. This includes, but is not limited to, the review of trends in outstanding credit relationships, key quality measures, significant borrowing relationships, large problem loans, industry concentrations, all significant lending policies, and the adequacy of the allowance for loan losses. The Loan Committee also reviews lending-related reports from regulators, auditors, and internal personnel.

Each member of the Board of Directors serves on the Loan Committee and Mr. Jones is the Chairman of the Committee. The Loan Committee held twenty-four (24) meetings during fiscal 2009.

Investment Committee

The Investment Committee reviews, identifies and classifies our assets based on credit risk, in accordance with regulatory guidelines. The Committee is also responsible for reviewing asset valuation and classification policies, as well as developing and monitoring asset disposition. In addition, the Committee reviews and monitors the Company's investment portfolio, liquidity position and the risk of our interest-earning assets in comparison to its interest-bearing liabilities.

Messrs. Courtney, Gilbert, Jones, Martin, Titus and Vaughan serve on the Investment Committee and Mr. Vaughan is the Chairman of the Committee. The Committee held four meetings during fiscal 2009.

CRA Committee

The CRA Committee is responsible for oversight of our performance under the requirements of the Federal Community Reinvestment Act of 1977 and similar state law requirements. Messrs. Barton, Courtney, Gilbert, Jones, Martin, Titus serve on the CRA Committee, and Mr. Titus is the Chairman of the Committee. The CRA Committee held four meetings during fiscal 2009.

Section 16(a) Beneficial Ownership Reporting

Section 16(a) of the Securities Exchange Act required our officers and directors to file reports of ownership and changes of ownership with the SEC. Our officers and directors are required by SEC regulation to furnish us with copies of all Section 16(a) forms so filed. As a matter of practice, our administrative staff assists our executive officers and Directors in preparing initial ownership reports and reporting ownership

changes, and typically files these reports on their behalf. Based solely on a review of the copies of the reports furnished to us, or written representations that no reports were required to be filed, we believe that during the fiscal year ended December 31, 2009 all Section 16(a) filing requirements applicable to our directors, officers, and greater than 10% beneficial owners, if any, were complied with, except that Donald L. Barton and Danny L. Titus each failed to timely report one transaction on Form 4.

Certain Relationship and Related Transactions

Some of our Directors and the companies with which they are associated are our customers, and we expect to have banking transactions with them in the future. All loans and commitments to lend were made in the ordinary course of our business and were in compliance with applicable laws. Terms, including interest rates and collateral, were substantially the same as those prevailing for comparable transactions with other persons of similar creditworthiness. These transactions do not involve credits which are different than extended to non-Board customers more than a normal risk of collectability or present other unfavorable features. We have a strong policy regarding review of the adequacy and fairness of Bank loans to directors and officers. Section 402 of the Sarbanes-Oxley Act of 2002 generally prohibits a company from extending credit, arranging for the extension of credit or renewing an extension of credit in the form of a personal loan one of its officers or directors. There are several exceptions to this general prohibition, including loans made by an FDIC insured depository institution that is subject to the insider lending restrictions of the Federal Reserve Act. All loans to our directors and officers comply with the Federal Reserve Act and the Federal Reserve Board's Regulation O and, therefore, are excepted from the prohibitions of Section 402.

Policies and Procedures for Approving Related Party Transactions

Our Board of Directors is committed to the highest levels of honesty and integrity and, as such, takes related party transactions very seriously and adheres to very strict policies and procedures that exceed typical Board practices to handle related party transaction issues.

A related party transaction is a transaction between the Company or the Bank and any related person (including any transaction requiring disclosure under Item 404 of Regulation S-K under the Securities Exchange Act of 1934). A related person means: (i) any person who is, or at any time since the beginning of the Company's last fiscal year was, a director or executive officer of the Company or the Bank or a nominee to become a director of the Company or the Bank; (ii) any person who is known to be the beneficial owner of more than 5% of any class of the Company's voting securities; (iii) any immediate family member of any of the foregoing persons, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of the director, executive officer, nominee or more than 5% beneficial owner, and any person (other than a tenant or employee) sharing the household of such director, executive officer, nominee or more than 5% beneficial owner; and (iv) any firm, corporation or other entity in which any of the foregoing persons is employed or is a partner or principal or in a similar position or in which such person has a 10% or greater beneficial ownership interest.

The general policy of the Board of Directors is that each Director and prospective director must disclose any related party transaction to the Board before such transaction may occur and, furthermore, that such transaction may thereafter be consummated if and only if (1) a majority of non-interested directors approves or ratifies the transaction, and (2) the transaction is on terms comparable to those that could be obtained in arm's length dealings with an unrelated third party. A non-interested director is a director who is not directly or indirectly involved in the related party transaction. A director is not deemed to be indirectly involved if the related person transaction does not involve any of his or her immediate family members.

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In making its decision on whether or not to approve a transaction, the Board also considers the benefits to the Company or the Bank; the impact on a director's independence in the event the related person is a director, an immediate family member of a director or an entity in which a director is a partner, shareholder or executive officer; the availability of other sources for comparable products or services; the terms of the transaction; and the terms available to unrelated third parties or to employees generally.

In addition, the Board has also stated that it is the responsibility of each director and prospective director to disclose to the Board any relationship that may not necessarily involve a related party transaction but that could impair his or her independence or pose any conflict of interest with the Company or the Bank, including affiliations of a director or prospective director or an immediate family member (defined as a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone, other than domestic employees) who shares such person's home, and affiliations of a director or prospective director with any Company or Bank (1) customer, supplier, distributor, dealer, reseller or other channel partner; (2) lender, outside legal counsel, investment banker or consultant; (3) significant shareholder; (4) charitable or not-for-profit institution that has received or receives donations from the Company or the Bank, or (5) competitor or other person having an interest adverse to us.

COMPENSATION DISCUSSION AND ANALYSIS

The Compensation Committee of the Board of Directors has responsibility for establishing, implementing and continually monitoring the compensation structure, policies and programs of the Company. The individuals who served as the Company's Chief Executive Officer and Chief Financial Officer during 2009, as well as the other individuals included in the Summary Compensation Table, are referred to as the named executive officers.

The Compensation Committee is responsible for assessing and approving the total compensation structure paid to the Chief Executive Officer and the other executive officers, including the named executive officers. Thus, the Compensation Committee is responsible for determining whether the compensation paid to each of these executive officers is fair, reasonable and competitive, and whether it serves the interests of the Company's shareholders.

This Compensation Discussion and Analysis identifies the Company's current compensation philosophy and objectives and describes the various methodologies, policies and practices for establishing and administering the compensation programs of the named executive officers.

Overview

Amid a very challenging economic climate, in 2009 we remained profitable and our performance surpassed that of many peer institutions. On the other hand, like most companies in the financial services sector, our results of operation and the price of the Company's common stock suffered, especially if compared with our historical standards. The effect of these events and concerns that the economy may be recovering for some period of time were reflected in the compensation of the Company's named executive officers for 2009 and in a number of executive compensation-related actions that have been taken by the Company and the Compensation Committee with respect to 2010.

The objectives of the Company's executive compensation program are to align a portion of each executive officer's total compensation